

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SSM-03 EB-08 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 FEAЕ-00 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06
OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 /100 W
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E.O. 11652: GDS
TAGS: ENRG, EG, US
SUBJECT: EGYPTIAN CHAIRMAN FOR GULF OF SUEZ PETROLEUM COMPANY

1. IN LATE FEBRUARY, RUMORS BEGAN TO CIRCULATE IN CAIRO'S BURGEONING OIL COMMUNITY THAT THERE WAS ABOUT TO BE MAJOR SHAKE-UP OF EGYPTIAN PERSONNEL IN THE TWO JOINT VENTURE PRODUCING COMPANIES, GULF OF SUEZ PETROLEUM COMPANY (GUPCO WHICH IS JOINT AMOCO/EGPC VENTURE) AND WESTERN DESERT PETROLEUM COMPANY (WEPCO WHICH IS JOINT PHILLIPS/EGPC VENTURE). GUPCO PRODUCES ABOUT 65 PERCENT OF EGYPT'S CURRENT 350,000 PLUS BPD PRODUCTION, WEPCO PRODUCES LESS THAN 15 PCERCENT OF THE TOTAL. ON MARCH 1, MINISTER OF PETROLEUM HILAL ANNOUNCED THAT IN ORDER TO INFUSE NEW IDEAS AND YOUNGER TALENT INTO EGYPT'S IMPORTANT PETROLEUM PRODUCING SECTOR, HE HAD ISSUED DECREE TRANSFERRING WEPCO AND CUPCO SENIOR EMPLOYEES WHO HAD BEEN IN THEIR JOBS FIVE YEARS OR MORE BACK TO EGPC AS ADVISORS. AS A RESULT, ENTIRE SENIOR HIERARCHY OF GUPCO INCLUDING CHAIRMAN AHMAD SHAWKI RETURNED TO EGPC SAME DAY. NEW GUPCO CHAIRMAN WILL BE FORMER WEPCO OPERATIONS MANAGER HAMDI AL-BAMBI, A 42-YEAR OLD AMERICAN-TRAINED PETROLEUM ENGINEER.

2. CURIOUSLY, CHAIRMAN OF WEPCO WAS REASSIGNED TO HIS CONFIDENTIAL

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JOB SHORTLY AFTER DECREE WAS ISSUED, AS WERE MOST OTHER SENIOR WEPCO EMPLOYEES WHO HAD ALSO BEEN TRANSFERRED BACK TO EGPC. NET EFFECT OF DECREE, THEREFORE, WAS TO REMOVE ONLY GUPCO OFFICIALS. AMOCO'S INITIAL REACTION TO THIS CHANGE IS ONE OF RELATIVE UNCONCERN. ALTHOUGH MOVE TOGET NEW BLOOD ARBITRARILY AND PRECIPITOUSLY INTO ORGANIZATION DOES NOT STRIKE THEM AS ONE WHICH MINISTER HILAL WOULD NORMALLY BACK, THEY ARE

PREPARED TO ACCEPT IT. AL-BAMBI HAS GOOD REPUTATION AND AMOCO OBVIOUSLY FEELS THEY CAN WORK WITH HIM.

3. AS RESULT OF SHIFTS, RUMORS IMMEDIATELY BEGAN TO CIRCULATE THAT ENTIRE AFFAIR WAS CONCOCTED BY MINPET HILAL TO REMOVE SHAWKI AS GUPCO CHAIRMAN. OUR CONTACTS IN MINPET TELL US THAT MINISTER'S MOE WAS INDEED AIMED SOLELY AT REMOVAL OF SHAWKI WHO IS MOST RESPECTED MEMBER OF CADRE OF FORMER SHELL EMPLOYEES WHO NOW FORM COPRE OF EGPC AND PETROLEUM MINISTRY MANAGEMENT. SHAWKI HAS BEEN VERY EFFECTIVE BUT INDPENDENT IN GUPCO POSITION WHICH HE OCCUPIED FOR 10 YEARS. WE HAVE BEEN TOLD THAT SHAWKI HAD BEEN OFFERED BOTH EGPC CHAIRMANSHIP AS WELL AS POSITION OF MINISTER BEFORE THESE POSTS WERE OFFERED TO HILAL, BUT WE CANNOT CONFIRM THIS. MINISTER HILAL, HIMSELF JUNIOR TO SHAWKI IN INFORMAL HIERARCHY, FEARED SHAWKI'S INFLUENCE, WE ARE INFORMED, ESPECIALLY AMONG YOUNGER ENGINEERS AND DECIDED TIME HAD COME TO REMOVE HIM.

4. COMMENT: GIVEN INCREASING DOUBT THAT EGYPT'S PETROLEUM OUTPUT WILL REACH HILAL'S PREDICTED LEVEL OF ONE MILLION BPD BY 1980, WE ARE CONCERNED THAT REMOVAL OF SHAWKI, OBVIOUSLY A STRONG, INDEPENDENT CHAIRMAN, MIGHT SIGNAL MORE AGRESSIVE EGPC POLICY TOWARD AMOCO. THIS CONCERN BASED UPON GROWING NUMBER OF BOTH AMERICAN AND EGYPTIAN EXPERTS WHO ARE BEGINNING TO EXPRESS BELIEF THAT AMOCO MAY NOT BE WORKING AT 100 PERCENT EFFICIENTLY IN EFFORTS TO PRODUCE OIL INGULF OF SUEZ. THERE ARE NO INDICATIONS, HOWEVER, THAT THIS IS PURPOSE OF HILAL'S ACTION. CERTAINLY AMOCO DOES NOT SUSPECT THAT THIS IS THE CASE. WHATEVER REASON FOR SHAKE-UP, FACT
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REMAINS THAT HILAL NOW HAS COMPLETELY LOYAL CHAIRMAN AT GUPCO, ONE WHO WILL RESPOND TO HIS COMMANDS.

MATTHEWS

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